

**HOMELESS SERVICES OVERSIGHT COUNCIL
ACTION ITEM
March 18, 2015**

AGENDA ITEM NUMBER: 4.2.1

ITEM:

Recommend the HSOC recommend to the Board of Supervisors that the County's 2015-2019 Consolidated Plan submission be amended to increase the proposed amount of Community Development Block Grant funds for affordable housing development from \$1.5 million to \$3.5 million over five years and such funding be targeted towards units that serve extremely low income households.

ACTION REQUIRED:

Recommend the County amend the Strategic Plan section of the 2015-2019 Consolidated Plan submission to the U.S. Department of Housing and Urban Development (HUD). The plan should reduce the proposed amount of Community Development Block Grant (CDBG) funds to be allocated over five years under Priority 5 (Stabilize and Revitalize Diverse Neighborhoods) from \$4 million to \$2 million, and increase from \$1.5 million to \$3.5 million the amount proposed for Priority 1 (Create housing opportunities for residents).

SUMMARY NARRATIVE:

The County of San Luis Obispo receives funding annually from HUD for the CDBG, HOME, and Emergency Solutions Grant (ESG) programs. CDBG funding may be used for a variety of community development activities, including purchase of sites for affordable housing, as well as public facilities improvement. HOME funds may be used to buy, develop, or rehabilitate affordable housing, and to provide short-term rental assistance to low income households. ESG provides funding for emergency homeless assistance, such as shelters and related services, as well as Rapid Rehousing activities.

All three programs allocate funding to states and local governments based on a formula rather than a competition. Jurisdictions then award funds to eligible entities for use under the programs. As a condition of receiving the funding, jurisdictions must submit a plan, referred to as a Consolidated Plan (ConPlan), to HUD every five years. The ConPlan identifies housing, homeless, and community development needs in the funded community and sets forth priorities for how the funds will be spent, in accordance with federal statutes and regulations governing such programs.

Funding for San Luis Obispo County is administered by the County Planning and Building Department. A portion of the funds are distributed directly by the County through funding competitions, with the rest being allocated to incorporated cities that have chosen to participate in the "Urban County" designated by HUD to receive the funding. These cities establish their own funding competitions to award their funds, but funding awards are supposed to be consistent with the ConPlan submitted to HUD by the County. Cities that are currently participating in the Urban County for Fiscal Year 2015 are Arroyo Grande, Atascadero, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo.

In February 2015, the County Planning and Building Department published a draft ConPlan for public comment. On February 17, 2015, the HSOC Housing Committee discussed the Strategic Plan section of the draft document (see Attachment 4.2.1A). The Strategic Plan section identifies Priority Needs in the community and sets forth how the County proposes to allocate anticipated CDBG, HOME, and ESG funding across these priorities. While the Housing Committee agreed with the Priority Needs identified in the plan, it disagreed with the proposed allocation of funds over the next five years across the priorities. The Committee noted the significant need for the creation of more affordable housing, as evidenced by the low multi-family vacancy rates in the County and challenges reported by homeless assistance providers in finding housing affordable to homeless persons with extremely low incomes, and recommended that a greater proportion of CDBG funds be allocated for this purpose. Specifically, the Committee recommended that \$2 million be reallocated for Priority 1 (Create housing opportunities for residents) from Priority 5 (Stabilize and revitalize diverse neighborhoods). This would bring the total amount of CDBG funds recommended for Priority 1 up to \$3.5 million over five years and would make the total amount of Priority 5 funding \$2 million over five years.

The Committee also recommended the HSOC submit this recommendation to the Board of Supervisors for consideration when the Board considers the proposed 2015-2019 ConPlan prior to submission to HUD.

BUDGET/FINANCIAL IMPACT

If adopted, the plan could potentially make \$2 million in additional funding available to increase the supply of affordable housing, while decreasing the amount available under the CDBG program for neighborhood revitalization by the same amount.

Adopting the recommendations would not result in any change in the total amount of funding available to the county under the CDBG program.

STAFF COMMENTS:

The ConPlan is a planning document. Adoption of this recommendation would not guarantee funding would be allocated at the proposed levels. Funding allocations depend in part on the applications submitted each year. If there were not sufficient applications or the approved applications did not request a combined total of \$3.5 million over the next five years, then less than \$3.5 million would be approved. Additionally, the plan may be amended, which may change the allocations.

The recommendations should not affect the proposed Fiscal Year 2015 competition which is already underway. If the recommendations were adopted by the Board of Supervisors, the proposed changes could be applied to future year competitions so that the total five year allocation levels would be consistent with the plan.

It should also be noted that CDBG funds may be used for site acquisition, or for conversion of a non-residential property to a residential property, such as conversion of a former church to a Single Room Occupancy (SRO) or small apartment complex. In most cases, CDBG funds may not be used for construction, but they may be used for eligible activities such as site acquisition for a property where new construction will take place.